

Bad Medicine

Republicans enter the healthcare debate—posing as Democrats.

By Sheldon Richman

LATE AT NIGHT on Saturday, Nov. 7, nationalized health insurance—and eventually a government takeover of healthcare—took a giant leap forward. Among the 177 Congressional Republicans, only one voted for the bill, but the party deserves more blame than it has received for the country's drift toward socialized medicine.

Republicans had ten months to offer what they claim to want: a free-market alternative to ObamaCare. Instead, they introduced Obama-lite, clad in a free-market mantle. Only at the last minute, as House debate on Speaker Nancy Pelosi's monstrosity was set to begin, did Minority Leader John Boehner introduce the first GOP bill. It had a few good ideas, but it was hardly a free-market proposal, much less a serious alternative.

At first, Republicans opted for caution, testing the public waters before moving at the last minute to put up a bill of their own—if only to give themselves something to talk about in next year's congressional campaigns. GOP pollster David Winston called it “an intentional strategic shift toward not being just the opposition party but trying to be the alternative party.”

Or maybe the *New York Times* had it right:

The minority party had little interest in putting forward a comprehensive piece of legislation. [A] comprehensive bill would have highlighted disagreements among Republicans, and would have taken a huge amount of time and effort only to

see the measure easily cast aside by the Democratic majority. And putting out a bill earlier would have subjected it to weeks of attack. ... [T]he 219-page bill is less of a complete answer to the Democrats' nearly 2,000-page bill and more of a political message aimed at highlighting the Republicans' contention that the Democrats' legislation is too costly and would dangerously expand the federal government's role in health care.

The GOP strategy helped the Democrats portray the Republicans as the Party of No—not necessarily a bad thing to be when government is growing. But since so many problems in healthcare are attributable to current government interventions that should be eliminated, a mere “no” amounts to a defense of the corporatist status quo.

Since January, Republicans had talked a good game when attacking Democratic proposals. They criticized the so-called public option as a slow move to single-payer, and they raised the threat of rationing inherent in any government plan to control spending. They also opposed the Democrats' insurance mandate for individuals and employers, a repudiation of the disaster Mitt Romney gave Massachusetts. They called for extending the employer-based insurance tax break to individually purchased coverage and for legalizing interstate commerce in health insurance. But these virtuous measures didn't go far enough, and they were overwhelmed by many vices.

Before Nov. 3, the most ambitious GOP proposal belonged to Rep. Paul Ryan, a conservative with a reputation for being a health-policy expert and an entitlement hawk. In a speech at a Cato Institute healthcare conference, Ryan said, “This problem can be fixed, not by pushing the market out, but by bringing the market in. One of the reasons healthcare is not doing well right now, one of the reasons health inflation is so high, one of the reasons there are so many distortions in health care, one of the reasons millions of Americans don't have access to affordable insurance, is because we've displaced the fundamental tenets of a free market.”

This sounds like a good start. He went on, “What are those tenets? Transparency on price, transparency on quality, and an incentive to act on both. Currently, you don't know what services cost, or who's good at providing them and who's bad. Even if you know such things, you're told by your insurance company, HMO, or the government where and who you have to go to to get your care.”

This is typical Washington talk presented as a defense of the free market. “Transparency” and “incentives” are popular political words, but they are not fundamental tenets of a free market. They arise as a result of individual economic freedom. When people have responsibility for their own well-being, spend their own money, and face the tradeoffs inevitable in a world of scarcity, they have incentives to demand clarity and simplicity from

competing health insurers and medical providers, who in turn have to accommodate them to win their business. Competition is key, and what makes competition possible is freedom—specifically consumer sovereignty and the absence of legal barriers to entry. To have freedom, government must back off and permit people to engage in transactions as they see fit. This is precisely what is lacking today.

Nothing about Ryan's prescription would preclude government efforts to create transparency without a free market—he mistakes an effect for a cause. Ryan further muddled the water by saying, "Healthcare is much more than having insurance and access to medical care. It is a moral issue. It is an issue about the role of the federal government and which trajectory America

long proffered equal opportunity as an alternative to the progressive idea of equal results, implicitly endorsing the egalitarian ethic. Egalitarians point out that someone born into a family with a low income hardly has the same opportunity as a wealthy person to obtain first-class medical coverage, therefore government assistance is needed to make equal opportunity a reality. We hear the same argument in education, where Republican conservatives like William Bennett defend tax-financed vouchers with the egalitarian appeal that low-income people should have the same opportunity to attend private schools as the wealthy. Why only in education and medical care? If equality of opportunity means only the absence of legal restrictions, that's fine. But Republicans rarely make this distinction.

from the taxpayers. But subsidies do not come without strings. Does Ryan seriously believe his approach would avoid heavy-handed regulation of the insurance and healthcare industries?

The incoherence of his approach could be seen in his very words when he vowed to create "a mechanism so that the uninsurable ... can also get affordable health insurance." He would accomplish this by instituting "state-based exchanges." No one would be forced to join, but his proposal would "create incentives for states to participate," and "Each of the exchanges must have at least a minimum benefit health plan, without the bells and whistles." Of course, someone would have to define that "minimum benefit health plan," and we know how lobbying and campaign contributions have already overloaded "basic" policies with coverage mandates, increasing the cost and pricing many people out of the market.

Since when is government needed to create markets? They are the most natural thing in the world. People "truck and barter," to use Adam Smith's phrase, whenever they get the chance. The Internet hosts vigorous markets in virtually everything—including life and auto insurance—so why wouldn't competition in health insurance emerge the instant legal barriers were removed?

Ryan's plan, which also included such Obama-lite ideas as expansion of Medicaid and Medicare and a "refundable tax credit" insurance subsidy, was typical of the Republican mentality that predominated until Pelosi's bill finally loomed large. If the Democratic ideal was socialized medicine, the Republicans offered corporatist care, though in practice the two "alternatives" might converge.

Boehner's 11th-hour bid to conjure a free-market aura renounced mandates, compulsory coverage for preexisting conditions, tax increases, and interference in the doctor-patient relationship.

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is going to take. Will we stick with the American ideal of equalizing opportunity, of protecting our individual rights, or are we going to replace that vision with a European one, where the goal of government is to equalize the results of people's lives instead of equalizing access to opportunity?"

For generations Washington has intervened at the deepest levels of Americans' economic lives. State and local governments began meddling well before that. Government is now so integrated with the economy that it escapes notice. Yet Ryan speaks of sticking with an ideal and protecting it against those who embrace the European vision. He's a little late. He should read Garet Garrett's "The Revolution Was."

And what is this ideal that he wishes to stick with? Equalizing opportunity. Republicans and conservatives have

The Ryan proposal is typical of Republican efforts. Its centerpiece was to be "universal access to affordable health insurance ... even for people with preexisting conditions..." That endorses the Democrats' keystone myth that one can insure against an existing condition. It makes a mockery of the concept of insurance. Compelling companies to write policies for people who are already sick—an idea endorsed by leading Republicans like Sens. Charles Grassley and Tom Coburn, Louisiana Gov. Bobby Jindal, and until the end, John Boehner—can't properly be regarded as "insurance." Calling it "welfare" and openly financing it with taxes, rather than hiding the cost in everyone's premiums, would be more honest.

Moreover, promising that this disguised welfare would be affordable creates expectations of a major role for government—specifically, subsidies

It created no power for the government to dictate the contents of insurance policies, and it endorsed the freedom to buy insurance across state lines and to form purchasing groups, albeit subject to lots of rules and conditions.

Yet his bill was no small-government showpiece. Although about a tenth as long as Pelosi's bill, it was just as couched in impenetrable legalese and brimming with regulations. Its first section, "Ensuring Coverage for Individuals with Preexisting Conditions and Multiple Health Care Needs," would require states to operate a "qualifying" reinsurance program or high-risk pool financed by "state premium assessments" with a federal contribution. This is the GOP answer to the Democrats, who would require insurance companies to cover people who come to them already sick.

The difference between the Republican and Democratic approaches is not clear. House Minority Whip Eric Cantor said, "[I]f individuals find themselves with a pre-existing condition ... their insurance company will be required to go into a re-insurance pool set up in all the states, funded by the federal government, putting \$25 billion into those pools. ... We've got to have a safety net there for individuals with pre-existing conditions, and that is the mechanism." Boehner's bill included standards for what the pools may charge, among many other rules.

Moreover, Boehner borrowed a page from the Democrats by prohibiting private insurers from including annual or lifetime spending limits in their policies. Some individuals might wish to have lower premiums rather than limitless benefits. Boehner says they can't. So much for freedom of contract. His bill would also have paid states to lower insurance premiums and reduce the number of uninsured. That sounds like an invitation to price controls and other interventions by hyperactive state insur-

ance commissioners. While the Boehner bill would have been considerably cheaper than Pelosi's—the CBO says "only" \$61 billion gross, offset by \$52 billion in new revenues, over a decade—it was still a spending program in an era of huge budget deficits.

Boehner also picked up a popular Republican theme: the need to change malpractice law. His bill would have capped non-economic jury awards at \$250,000. Three problems with this are typically overlooked. First, as Shikha Dalmia of the Reason Foundation writes, "Big medicine has long blamed the unnecessary tests and procedures these awards encourage for rising health care costs. But several studies have shown that this so-called practice of defensive medicine is a smaller driver of costs than excess physician salaries." Second, limiting malpractice awards is a blunt instrument that will harm victims of negligence; better to let patients and doctors contract around the tort law. And third, even putting the effects aside, on principle self-proclaimed federalists shouldn't be advocating a national change in malpractice law. That has traditionally been a state matter—"laboratories of democracy" and all that. How eagerly Republicans throw over allegedly cherished principles whenever it's expedient.

The GOP has, again, failed to draw a sharp line between itself and the openly statist opposition. Democrats promise to fund their healthcare overhaul by cutting hundreds of billions out of Medicare. (It is worth pointing out that, political reality being what it is, the Democrats will never deliver on this promise, and if they did, services—not waste—would be cut.) But the Republicans support Medicare with equal zeal: Boehner's bill vowed no cuts in services. This put the GOP in the odd position of opposing "socialized medicine" by defending, well, socialized medicine.

Knowing that the elderly vote in high numbers, it's no surprise that Republicans were quick to campaign against the "death panels" implicit in the Democrats' logic. But in doing so, did Republicans really mean to endorse the idea that the elderly should have all the medical care—at taxpayer expense—that they want without limit?

Medicare stands in the way of lowering the cost of medical care and insurance. Because the government chronically under-reimburses doctors and hospitals, they make up the shortfall by overcharging the rest of us. (We don't care because we think insurance pays the bills.) But increasing reimbursement is not the answer because that would require more government borrowing, more inflation, higher taxes. There's a third, real alternative to death panels and out-of-control Medicare: a privatization plan that would operate independent of government. But Republicans are too worried about elections to talk about that. So they defend Medicare while rejecting Medicare-for-all, a treacherous logical tightrope.

Aside from jettisoning Medicare and Medicaid, exempting individual insurance policies from taxation (a subject on which Boehner's bill was strangely silent), expanding health-savings accounts, and legalizing interstate insurance sales, there's little the national government can do to reform the healthcare market. Most of the change has to come at the state level, where medical and insurance cartels constrict competition and supply, denying consumers innovation and lower prices. But Republicans in Congress don't want to confront these powerful interests. It's easier to rail against socialized medicine on the horizon than address the corporatized medicine that has long been in place. ■

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